

Costing Definitions

COST DEFINITIONS	
Type	
Recurring Costs	
Inpatient Op Cost	Sum of Inpatient workload units times DSS cost (or contract cost) plus new lease costs
Outpatient Op Cost	Sum of Outpatient workload units times DSS cost (or contract cost) plus new lease costs
Non Clinical Op Cost	Sum of SF x operating costs (Operating costs provided by FM) and SF x new lease costs
Vacant Space Op Cost	SF reserved x operating costs (Operating costs provided by FM, facility specific)
Savings/Cost/Profit Recurring Cost	Sum of VISN provided additional costs (like higher contract costs) and any in-kind considerations (construction required for EU)
Recurring Savings	
Savings/Cost/Profit Recurring Savings	Sum of VISN provided cost savings, and In Kind Considerations Gained. Other savings are from Demolition, Divest/Sell, Donate, Out lease, EU, Reserve Stand Alone, Reserve Adjacent from Vacant Space CARES Category, taking SF x Full Operational Cost
Non Recurring Costs	
New Construction Cost	SF x construction cost (construction cost varies by category, locality)
Renovate Cost	Convert vacant and Renovate Existing SF x construction cost (construction cost varies by category, locality and existing condition of space)
Lease Cost	Lease SF x Lease build-out construction cost (construction cost varies by category, locality)
Demolition Cost	SF x construction cost (construction cost varies by locality)
Non Recurring Revenue	
Savings/Cost/Profit Revenue	Sum of VISN provided External Revenues and Profits for all CARES Categories. Out leased revenue provided by VISN. Other revenue calculated for Vacant in External Revenue when space is divested. Then revenue for divest is calculated by SF x Unit Cost from AEW data.
Calculated Numbers	
Life Cycle Cost	Sum of all costs from 2004-2022 (larger number means option is more costly)
Net Present Value	Difference between Status Quo and the Alternative (Most positive/least negative number the better option)
Average Annual reduction in Costs	Difference between the original Market Plan Recurring Costs and the Alternative Recurring Costs - Alternatives Non-recurring savings
Capital Investments Required	For each facility, the sum of the increases in capital costs from the Market Plan
Capital Investments Avoided	For each facility, the sum of the decreases in capital costs from the Market Plan
Payback in years	Capital Investments required, divided by the average annual reduction in costs

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VISN PROVIDED COSTS/SAVINGS/PROFITS/REVENUES	
Examples of VISN provided costs/savings/profits/revenues include, but not limited to:	Additional costs/savings for differing contract costs than the average Medicare costs
	Additional costs/savings for differing DSS in-house costs, if the facility was a DSS outlier, and there are plans to improve this.
	Revenues anticipated from enhanced-use leasing or other ventures
	Efficiency savings not captured in the 3 modifications VA did nationally, these may include:
	• Additional FTEE efficiency savings;
	• Elimination of transportation costs between facilities;
	• Equipment costs;
	• Cost of relocations; and
	• Revenues from enhanced-use leasing, sharing or out leasing
ADJUSTMENTS FOR ECONOMIES OF SCALE	
Only small or marginal changes in workload:	1. If the workload increases or decreases at the facility are GREATER than 6,200 BDOC (20 beds), or 30,000 stops sometime in the 20 years:
	a. The baseline workload was costed using the total DSS costs.
	b. The workload gap should be costed using variable costs only for 2002 through the year previous to hitting the above
	For the year previous to hitting the threshold through 2022, use the total DSS costs for the entire workload amount.
	2. If the workload increases at the facility never exceed 6,200 BDOC, or 30,000 stops throughout the 20 years, then use the logic in 1a & b.
Reduction in the overall size of the campus:	When the total space at a campus has been reduced, the Fixed Indirect Costs for all CARES categories will be reduced proportionately. This will be on a sliding scale, with a reduction of size of 33% yielding a reduction of the DSS costs 4.2% for the remaining years. (4.2% was calculated by taking the 20 largest campuses and comparing those Fixed Indirect Costs with the 20 smallest campuses, which indicated that the larger campuses, (33% larger) were spending 4.2% more of their budget on the M&R and Operations).
Modernization of facility:	by 6.4% for the remaining years. (6.4% was calculated by taking the 20 facilities in the “worse” condition using the Facility Condition Assessments conducted by Office of Facilities, and comparing those Fixed Indirect Costs with the 20 “best” condition facilities.)